STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE

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December 18, 2000

Hon. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals II
445 12th Street , SW, TWA-325
Washington, D.C. 20554

RE: In the Matter of: 2000 Biennial Review - - Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3 - CC Docket No. 00-199

Dear Secretary Salas:

The New York State Department of Public Service ("NYDPS") submits these comments in response to the Federal Communications Commission's ("Commission") Notice of Proposed Rulemaking ("NPRM") dated October 18, 2000 in the above-captioned proceeding. The Commission seeks comment on various proposals to streamline accounting and reporting requirements for incumbent local exchange carriers ("ILECs"). The NPRM asks if the Commission should adopt the United States Telephone Association's ("USTA") proposals to further streamline the Automated Reporting Management Information System ("ARMIS").

In sum, the Commission's proposals strike a good balance between reducing reporting burdens while recognizing that certain data must continue to be provided. The NYDPS does have concerns regarding streamlining the Uniform System of Accounts ("USOA").

1. <u>System of Accounts</u>

The Commission seeks comment on its proposal to eliminate one-fourth of the Class A accounts in Part 32 to reduce the burdens on Class A carriers. In general, the NYDPS agrees with the proposal to eliminate 77 accounts from the Class A USOA. The NYDPS is concerned that the Commission's proposal to aggregate the revenue accounts will eliminate data necessary to monitor the development of competition. Moreover, any changes to the USOA should include a breakdown of revenues and expenses by retail, resale, wholesale and collocation activities to accomplish the goal of monitoring competition..

The FCC also seeks comment on the USTA's proposal to eliminate 116 additional Class A accounts and adopt Class B accounts for all carriers. The NYDPS disagrees with adopting the Class B USOA at this time. Adopting Class B accounts for all carriers would jeopardize NYDPS's ability to conduct depreciation studies and to evaluate the depreciation reserves. For example, the NYDPS uses the Class A plant accounts to set the intrastate depreciation rates for all carriers. Depreciation expense is a major component of a utility's operating costs and should be accurately determined as long as the ILECs are the predominate suppliers of telecommunication services.

Moreover, the USTA's argument that Class A accounting requirements are burdensome is without merit. Although the USTA's proposal would combine several accounts (e.g. Land and Support Assets, Tax Accounts), these accounts will still need to be calculated separately to satisfy the IRS and for their own internal accounting. Therefore, it would serve no purpose to combine these accounts.

2. Affiliate Transactions Rules and Cost Allocations

The USTA's proposals to reduce reporting requirements for affiliate transactions rules would allow telephone companies more flexibility for valuing affiliate transactions between the regulated entity and non-regulated affiliate. In addition, the industry proposes to eliminate all cost allocation requirements for mid-sized carriers.

The NYDPS opposes the USTA's proposals to reduce reporting requirements for affiliate transactions and cost allocations. These long-standing affiliate transactions rules were adopted to prohibit cross-subsidization and promote fair competition and are still required during the transition to competition. Further, the NYDPS does not support the elimination of all cost allocation requirements for mid-sized carriers. As long as these carriers are the dominant suppliers, these rules are also necessary to protect consumers and prevent unfair competition.

In sum, the NYDPS supports the Commission's proposals to eliminate obsolete data from its ARMIS reporting requirements and welcomes this opportunity to target federal reporting requirements to combat cross-subsidization and prevent anti-competitive behavior.

Respectfully submitted,

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